

Meeting: LGA Resources Board

Date: 22/09/2022

Local Government Finance Update

Purpose of report

For information

Summary

This report provides a summary of the work by the LGA on funding and finance issues since the previous meeting of the Board on 13 July 2022. This includes updates on the LGA's cost pressures work, future finance announcements, business rates, audit and capital.

Recommendations

That Members of Resources Board note this update

Action

Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments and seek the views of the Board where possible or of Resources Board Lead Members.

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Local Government Finance Update

Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Resources Board meeting on [13th July 2022](#).

Autumn Budget 2022

2. In preparation for a Chancellor's Budget in Autumn 2022, the LGA has been drafting a submission to HMT in advance of the annual announcement. At the time of writing this report, the draft submission is a focussed piece which includes the cost pressures facing local government as a result of rising inflation and energy bills and higher than anticipated forecasts (by the Low Pay Commission) of the National Living Wage. The draft submission will be discussed at the LGA's Executive Advisory Board in September and officers will engage with Resource Board Lead Members on clearance of the finance asks in the LGA's submission which include:
 - Meeting the cost pressures facing councils
 - Calling for certainty and timely multi-year settlements
 - Giving councils more control over business rates, council tax
 - The needs to consider new forms of local government funding
 - Improving local audit
3. In response to the additional cost pressures facing councils the LGA sent a survey to a sample of around 90 councils to gather information on the additional pressures being experienced. The survey closed on 9th September. The responses are being analysed and will inform the LGA's autumn budget submission and wider lobbying on local government funding. Resources Board will be updated on the results of the survey in due course.

2023/24 Local Government Finance Settlement

4. At the LGA annual conference, the then Secretary of State for Levelling Up, Communities and Housing announced that the next settlement would be a two year settlement and a consultation in advance of the provisional settlement would be published shortly. This consultation was expected to include referendum principles for 2023/24 and seek views on the distribution of grants included within Core Spending Power including the New Homes Bonus and previous 2022/23 One off Services Grant. The consultation was delayed and at the time of writing this report it is not clear whether there will still be a multi-year settlement and the timing of any potential consultation. The LGA is pushing for Central Government to meet the additional cost pressures facing local

government and to provide a longer-term settlement as soon as possible. Officers will keep members of the board updated.

Reserves

5. On July 21st, DLUHC published statistics on council budgets for 2022/23. Included within that were figures from individual councils. We have undertaken various pieces of analysis on these to inform our discussions with Government officials.
6. In 2021/22, councils reported a decrease of £8 billion in the levels of reserves held (from £31.3 billion at 31 March 2021 to £23.3 billion at 1 April 2022). It is likely that much of this decrease is likely to be down to councils receiving grants before March 2021 to cover COVID expenditure and then spending them in the 2021/22 financial year.
7. The returns show that councils are forecasting a further reduction in reserves of £2.9 billion in the current year (2022/23), largely due to using grant funding to cover COVID related costs. This means that overall councils' reserves at the end of the current year are forecast to be close to the level that they were before the pandemic.

Energy Rebate through councils

8. On 1st September, the Government [published figures](#) on the distribution of the energy rebate through councils. These cover the period up to the end of July 2022. The figures show that 86 per cent of eligible households have received the rebate.

Business Rates

Heat Network Relief

9. On 21st July, DLUHC published [guidance](#) on the implementation of the discretionary business rates relief for heat networks for the year 2022/23. This will be delivered using existing local government discretionary relief powers funded by the Government. From 1 April 2023 the Government intends for the relief to be provided via legislation and this guidance will, subject to reviewing the implementation of the guidance, inform regulations to be made to take effect from then.

Business Rates Revaluation 2023

10. The LGA has submitted its [response](#) to the [DLUHC consultation](#) on the transitional arrangements for businesses following the 2023 business rates revaluation. In our response we point to the need for transitional arrangements for 2023 to be announced no later than autumn 2022 when the draft list and provisional multiplier for the 2023 rating list are expected to be published. This is

to make the process as smooth as possible for both ratepayers and billing authorities and allow time for any necessary software changes.

Local Authority Accounts and Audit

11. The agenda for today's meeting includes draft responses to a number of issues relating to local audit and accounts. As well as these consultations, there have been some further discussions with DLUHC and CIPFA about the ongoing crisis with local audit, and particularly delays to finalising accounts due to the issue with infrastructure assets. CIPFA issued [a statement](#) in mid-August indicating that there is still a lot of due process to be gone through but that an update to the accounting code may be available in late September.
12. In early August, Cllr Roger Phillips, Chair of the Local Government Pension Scheme Advisory Board (SAB) [wrote to Paul Scully MP, Local Government Minister, on the subject of audit](#). The letter highlighted the issues around local government pension fund accounts, which are audited as part of the host authority's main accounts. Delays to finalising main authority accounts (which should be published by 30 September but which is not currently being achieved) mean that pension fund accounts – which are usually uncontroversial – are often not published in time for the 1st December pensions statutory deadline, despite being ready.
13. The letter proposed a possible easement, namely separating pension fund accounts from main authority accounts, to resolve this issue for pension funds. Accounts are already separate in Wales and Scotland. The letter asked the minister to task Departmental officials with exploring possible solutions, working closely with the SAB and its Compliance and Reporting Committee to consider possible solutions. We await a formal response.

Capital

14. DLUHC undertook a [consultation](#) on proposed changes to the regulations underpinning the Government's [Statutory Guidance on Minimum Revenue Provision \(MRP\)](#). MRP is the amount councils must put aside from revenue to repay debt. Following concerns raised by the sector, including in [our response to the consultation](#), in June DLUHC sent a [revised set of proposals](#) to those who responded to the consultation and undertook a survey seeking views on whether these revised proposals addressed the concerns raised. In our opinion the revised proposals did address the main concerns, as we outlined in [our response to that survey](#) which was cleared by Resources Board Lead Members.
15. Councils had expressed concerns over the implementation date of the proposals and having sufficient time to prepare for changes. DLUHC has since written to all Section 151 officers to explain that although the formal government response to the consultation and final regulations will not be published until later this year, probably after a further consultation on the guidance, they can confirm that the changes will not be implemented on a mandatory basis earlier than April 2024.

This confirmation is helpful and is intended to provide councils the certainty needed to plan budgets for 2023/24.

Climate Risk Reporting Framework for the LGPS – Consultation

16. On 1st September DLUHC published its [long awaited consultation](#) on the governance and reporting of climate change risks. The consultation seeks views on proposals to require Local Government Pension Scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The consultation closes at 11:45pm on 24th November 2022.
17. The proposals largely mirror those already in place for private sector pension schemes under DWP legislation. The first fund reports are likely to be required in late 2024 for the financial year 2023/24; with a requirement also for an annual scheme-level report to be published by the Scheme Advisory Board (SAB). The SAB secretariat will work with the Board's Responsible Investment Advisory Group over the coming weeks and months to draft a response to the consultation.

Implications for Wales

18. We are in regular contact with the Welsh LGA and the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work on local government finance.

Financial Implications

19. The work covered in this paper is included in the LGA's core budget.

Equalities implications

20. This paper outlines how the LGA is working on a range of initiatives on finance and funding issues. These issues affect councils and their residents as a whole and it is difficult to assess what individual impacts there are on people with protected characteristics. Improving the funding position of councils should aid them to be able to fund work that improves equalities. Working with the government on improving guidance on finances should also help with enabling better outcomes.

Next steps

21. Members are asked to note this update.
22. Officers will proceed with the delivery of the LGA's work on local government finance matters, keep members of Resources Board updated on developments

and seek the views of the Board where possible or of Resources Board Lead Members.